

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2003-368-S - ORDER NO. 2004-526
OCTOBER 22, 2004

IN RE: Application of Madera Utilities, Inc. for)	ORDER DENYING AND
Approval of an Increase in its Sewer Rates)	DISMISSING PETITION
and Charges.)	FOR
)	RECONSIDERATION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Reconsideration of Order No. 2004-296 filed by the Consumer Advocate for the State of South Carolina (the Consumer Advocate). For the reasons stated below, we deny and dismiss the Petition.

The Consumer Advocate states that, in Order No. 2004-296, the Commission adopted the adjustment of the Commission Staff which allowed for recovery of expenses for income taxes, even though the Company had not requested such recovery. See Order at 15-16. The Consumer Advocate further notes that Madera is a Sub-Chapter S corporation under the Internal Revenue Code, which has no tax liability. Under this theory, taxes are instead chargeable to the company's shareholders on their personal income tax returns. The Consumer Advocate states that he opposed including any recovery for taxes at the hearing, since the Company pays no taxes. In the Order, this Commission noted the objection, but found that including recovery of taxes in the Company's rates is appropriate because the rate increase will create additional income tax liability. The Consumer Advocate challenges the factual basis for this proposal, and,

further, challenges the Staff's citation of "Commission policy" as the reason for its position.

Although we understand the Consumer Advocate's position, we do not agree with it. This Commission is the trier of fact and may make reasonable inferences from the evidence presented. Recognizing that the utility operations are the cause of the tax liability is a reasonable deduction from the evidence presented. Accordingly, the taxes were properly included in the rates and the Petition for Reconsideration must be denied and dismissed.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
G. O'Neal Hamilton, Vice Chairman

(SEAL)